

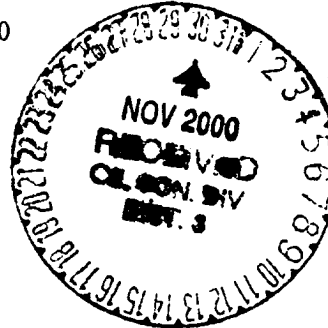


NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

November 28, 2000

Lori Wrotenbery
Director
Oil Conservation Division



Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420

Attention: John D. Roe, Engineering Manager

Re: *Exception to well spacing requirements WAW Fruitland Sand-Pictured Cliffs Pool.*

Dear Mr. Roe:

I am in receipt of your letter dated November 17, 2000 to Mr. Frank Chaves, Supervisor of the Division's District Office in Aztec, for the above-described application. I have prepared the following advertisement to be scheduled for the December 21, 2000 Division examiner's hearing:

Application of Dugan Production Corporation for special pool rules, or in the alternative, for simultaneous dedication, San Juan County, New Mexico. Applicant seeks the promulgation of special rules and regulations for the currently unprorated WAW Fruitland Sand-Pictured Cliffs Pool, including provisions to permit a second gas well (infill well) within a standard 160-acre spacing unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in this pool. The WAW Fruitland Sand-Pictured Cliffs Pool comprises portions of Townships 25, 26, and 27 North, Ranges 11, 12, and 13 West and is centered approximately 14 miles south of Farmington, New Mexico. IN THE ALTERNATIVE, the applicant seeks exceptions to Division Rule 104.D (3) to continuously and concurrently produce gas from the WAW Fruitland Sand-Pictured Cliffs Pool within the following two existing 160-acre gas spacing and proration units comprising: (A) the SE/4 of Section 36, Township 27 North, Range 13 West from its: (i) older existing Bengal "C" Well No. 5 (API No. 30-045-22628), located at an unorthodox gas well location (approved by Division Administrative Order NSL-867, dated July 14, 1977) 790 feet from the South line and 2000 feet from the East line (Unit O) of Section 36; and (ii) recently drilled and completed Bengal Well No. 6 (API No. 30-045-29830), located at a standard gas well location 900 feet from the South and East lines (Unit P) of Section 36, and for the simultaneous dedication of both wells to this 160-acre unit; and (B) the SE/4 of Section 12, Township 26 North, Range 13 West from its: (i) older existing Irish Well No. 1-J (API No. 30-045-23887), located at a standard gas well location 790 feet from the South and East lines (Unit P) of Section 12; and (ii) recently drilled and completed Irish Well No. 4 (API No. 30-045-29833), located at a standard gas well location 1850 feet from the South line and 790 feet from the East line (Unit I) of Section 12, and for the simultaneous dedication of both wells to this 160-acre unit.

Please provide notice pursuant to the applicable provisions of Division Rule 1207. In anticipation of opposition to this application please do not communicate with any of the Division's examiners since such contact could be construed as ex parte communications (see Division Rule 1223.A).

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Aztec
Roberts & Strother; P. O. Box 129; Farmington, NM 87499 - Attention: Mr. Tommy Roberts